

# ARIZONA SPECIAL DISTRICT ANNUAL REPORT REPORTING INSTRUCTIONS

## GENERAL INFORMATION

Arizona Revised Statutes (A.R.S.) §48-251 requires special districts not exempt under A.R.S. §48-251(C) to prepare an annual report. According to A.R.S. §48-251, the report must be filed annually within 180 days after the district's fiscal year end with the **Clerk of the Board of Supervisors** of each county in which the district is located. (This requirement is independent of the audit and review filing requirements explained below.)

**This report is not required to be filed with the Office of the Auditor General.**

According to A.R.S. §48-253, Parts D and E of the report (the Schedule of Revenues, Expenditures, and Changes in Fund Balances and the Schedule of Revenues, Expenses, and Changes in Retained Earnings/Fund Equity, respectively) must be audited annually for districts with budgets that are equal to or greater than \$1,000,000. Districts with budgets that are equal to or greater than \$100,000 but less than \$1,000,000 are required to have a financial review of these schedules performed annually. Districts with budgets that are less than \$100,000 must have a financial review of these schedules for each year performed at least biennially. Districts must file the audited or reviewed schedules with the board of supervisors and treasurer of each county in which the district is located. Districts with annual requirements must file within 180 days after the district's fiscal year end, and districts with biennial requirements must file within 180 days after the fiscal year end of the second year.

A.R.S. §§48-251 and 48-253 allow districts to submit to the board of supervisors and treasurer of each county in which the district is located, audited or reviewed financial statements in lieu of the schedules discussed in the preceding paragraph. However, if the district chooses to submit audited or reviewed financial statements in place of the schedules, the information on pages 1 and 2 of the enclosed forms (Parts A, B, and C) must still be submitted to the Clerk of the Board of Supervisors within 180 days after each fiscal year end.

Additionally, districts filing an annual report for the first time must include an accurate map showing the district boundaries as of the fiscal year end.

## DETAILED INSTRUCTIONS

Detailed instructions for preparing the annual report are as follows:

- Step 1.** Enter the county in which the district is located, district name, and the fiscal year end on the top of each page of the report.
- Step 2.** On page 1, enter the district's mailing address and business telephone number, and the name and title of the person(s) completing the report.
- Step 3.** On Part A, enter the name, occupation, and business telephone number of each governing board member and district officer as of the fiscal year end.
- Step 4.** On Part B, enter the date, time, and location of all regular governing board meetings held during the fiscal year. Also, enter the locations where public notices of these meetings were posted.

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- Step 5.** If the district's boundaries changed during the fiscal year, enter the legal description of the boundary changes on Part C.
- Step 6.** Determine if the district wishes to complete Part D and/or Part E (Schedule of Revenues, Expenditures, and Changes in Fund Balances and/or Schedule of Revenues, Expenses, and Changes in Retained Earnings/Fund Equity) or submit audited or reviewed financial statements for the fiscal year. If the district chooses to complete and submit the enclosed schedules, Steps 7 through 9 should be completed.
- Step 7.** Determine that Parts D and E include all district fund types. If a district fund type is not included on the forms, enter it in the blank column provided.

Districts should use separate funds to account for district revenues and expenditures/expenses. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts in which assets, liabilities, residual equities or fund balances, revenues, and expenditures/expenses are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations. However, the district should combine funds that have similar characteristics into the appropriate fund types for presentation on Parts D and E.

The following are definitions of commonly used governmental fund types that may be included on Part D—Schedule of Revenues, Expenditures, and Changes in Fund Balances.

**General Fund**—The General Fund accounts for all resources used to finance district services except those required to be accounted for in other fund types.

**Capital Projects Funds**—Capital Projects Funds account for resources to be used for acquiring or constructing major capital facilities (other than those financed by proprietary or trust funds).

**Debt Service Funds**—Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Debt Service Funds are required if they are legally mandated, or if financial resources are being accumulated for principal and interest payments maturing in future years.

The following are definitions of commonly used proprietary and similar fund types that may be included on Part E—Schedule of Revenues, Expenses, and Changes in Retained Earnings/Fund Equity.

**Enterprise Funds**—Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services be financed or recovered primarily through user charges; or, where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate (e.g., Water and Sewer Authority Enterprise Fund).

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**Pension Trust Funds**—In general, trust funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Pension Trust Funds account for the accumulation of resources for pension benefit payments to qualified employees (e.g., Fire Fighters' Relief and Pension Fund).

**Step 8.** If the district has governmental and similar fund types, complete the Schedule of Revenues, Expenditures, and Changes in Fund Balances, Part D.

Check the appropriate box indicating whether the district uses the modified accrual or cash basis of accounting. Under the modified accrual basis of accounting, the district recognizes revenues in the fiscal year in which they become measurable and available to make expenditures of the current fiscal year, and expenditures in the fiscal year in which the liability is incurred. Under the cash basis of accounting, the district should only recognize cash receipts and disbursements of the current period.

### REVENUES

Record revenues by fund type on the appropriate lines for each of the revenue categories and total all categories to arrive at Total Revenues by fund type. The following are descriptions of some revenue categories.

**Charges for services**—Revenues received for district services, such as fire protection, emergency medical, water, sewer, and power. Revenues received for services provided by the district outside district boundaries should also be included.

**Miscellaneous**—Revenues that do not meet the criteria of other reported revenues, but individually are not significant in dollar amount.

**Other revenues**—Revenues that do not meet the criteria of other reported revenues, but individually are significant in dollar amount, should be itemized on the blank lines provided.

### EXPENDITURES

Record expenditures by fund type on the appropriate lines for each of the expenditure categories and total all categories to arrive at Total Expenditures by fund type. The following are descriptions of some expenditure categories.

**Employee benefits**—Expenditures for district paid employee benefits, such as retirement contributions, social security, Medicare, and insurance.

**Administration**—Expenditures for items such as office supplies, postage, printing and duplicating, administrative travel, dues, subscriptions, governing board members' and officers' fees, and election costs.

**Professional services**—Expenditures for contract services such as legal, data processing, accounting, and auditing. Expenditures recorded by fire districts for

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fire protection contracted by the district with an outside fire protection service should also be included.

**Utilities and communications**—Expenditures for items such as electricity, natural gas, water, sewage disposal, telephones, radio communications, and fire hydrant maintenance, if fire hydrants are not maintained by a fire district.

**Insurance**—Expenditures for insurance premiums not related to personnel, such as premiums related to coverage on buildings, machinery and equipment, and district liability.

### **Capital Outlay**

**Land**—Expenditures for real property purchased by the district, including related costs of escrow, closing, attorneys' fees, survey fees, and grading and clearing prior to construction.

**Buildings**—Expenditures for the purchase, construction, rehabilitation, or conversion of buildings by the district. Architectural and engineering fees relating to a construction project, and improvements such as heating and cooling equipment, plumbing, and other immovable fixtures should also be included.

**Improvements other than buildings**—Expenditures for items such as sewer and water lines, parking lots, fences, roads, bridges, and sidewalks.

**Machinery and equipment**—Expenditures for machinery and equipment, including motor vehicles, that meet the district's asset capitalization policy. Items that do not meet the district's capitalization policy should be recorded as repairs and maintenance or miscellaneous expenditures, as applicable, or itemized as "other expenditures" if significant in dollar amount.

**Construction in progress**—Expenditures for construction undertaken but not yet completed.

When acquiring real or personal property, payments made to the county treasurer for unpaid property taxes, including penalties and interest, should be included in the property's total cost.

### **Debt Service**

**Principal retirement**—Expenditures for retirement of long-term debt, such as bonds and capital leases.

**Interest and fiscal charges**—Expenditures for interest charges on outstanding long-term debt, such as bonds and capital leases.

**Miscellaneous**—Expenditures that do not meet the criteria of other reported expenditures, but individually are not significant in dollar amount.

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**Other expenditures**—Expenditures that do not meet the criteria of other reported expenditures, but individually are significant in dollar amount, should be itemized on the blank lines provided.

### **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES**

Subtract Total Expenditures from Total Revenues to determine Excess of Revenues Over (Under) Expenditures.

### **OTHER FINANCING SOURCES (USES)**

Record Other Financing Sources (Uses) by fund type on the appropriate lines for each of the categories to arrive at Total Other Financing Sources (Uses) by fund type. Such amounts should be shown separately from revenues and expenditures. The following are descriptions of the most common other financing sources (uses) categories.

**Operating transfers-in/out**—Routine transfers of monies among fund types (e.g., transfers from a fund type receiving revenue to a fund type from which the revenue is to be expended). Total operating transfers-in must equal total operating transfers-out.

**Capital lease agreements**—Assets acquired by capital lease recorded as an other financing source. Record the lesser of the present value of the net minimum lease payments or the fair market value of the assets. This entry should be made only at the inception of the lease as an offset to the initially recorded expenditure.

### **EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES**

Record by fund type the total of Excess of Revenues Over (Under) Expenditures and Total Other Financing Sources (Uses).

### **BEGINNING FUND BALANCE**

Enter the first day of the fiscal year and record the fund balance for each fund type as of that date.

### **ENDING FUND BALANCE**

Enter the last day of the fiscal year. Calculate ending fund balances as of that date, by adding Beginning Fund Balances to Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses.

**Step 9.** If the district has proprietary and similar fund types, complete the Schedule of Revenues, Expenses, and Changes in Retained Earnings/Fund Equity, Part E.

Check the appropriate box indicating whether the district uses the accrual or cash basis of accounting. Under the accrual basis of accounting, revenues are recognized in the fiscal year in which they are earned, and expenses are recognized in the fiscal year in which the liability is incurred. Under the cash basis of accounting, only cash receipts and disbursements of the current period should be recognized.

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### OPERATING REVENUES

Record operating revenues by fund type on the appropriate lines for each of the revenue categories and total all categories to arrive at Total Operating Revenues by fund type. The following descriptions of the operating revenue categories are to be used in either enterprise or pension trust fund types.

**Charges for services** (not applicable for pension trust fund types)—Revenues received for district services, such as fire protection, emergency medical, water, sewer, and power. Revenues received for services the district provided outside district boundaries should also be included.

**Employer contributions** (pension trust fund types only)—Revenues representing the district's contribution to the public employee retirement system (PERS).

Note: These contributions would be recorded as an expenditure/expense in the fund making the payment.

**Employee contributions** (pension trust fund types only)—Revenues representing the employees' contribution to the PERS.

**Investment income** (pension trust fund types only)—Revenues received from interest earned on pension fund assets.

**Miscellaneous**—Revenues that do not meet the criteria of other reported operating revenues, but individually are not significant in dollar amount.

### OPERATING EXPENSES

Record operating expenses by fund type on the appropriate lines for each of the operating expense categories and total all categories to arrive at Total Operating Expenses by fund type. Descriptions of many operating expense categories are similar to those given for expenditures recorded on Part D—Schedule of Revenues, Expenditures, and Changes in Fund Balances. (See page 3 of the instructions.) Additional descriptions of some operating expense categories follow.

**Landfill closure and postclosure care costs** (If accounted for in a proprietary fund)—Districts that operate municipal solid waste landfills (MSWLF) in a proprietary fund must accrue a liability and recognize an expense for a portion of the estimated total current cost of MSWLF closure and postclosure care in each period the MSWLF accepts solid waste.

**Depreciation**—Expenses for the portion of the cost of a capital asset that represents expiration in the life of the capital asset. In proprietary and similar funds, the cost of a capital asset is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

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**Benefits** (pension trust fund types only)—Expenses for payments of plan benefits to qualified employees.

**Refunds** (pension trust fund types only)—Expenses for refunds to withdrawing members, including interest.

**Miscellaneous**—Expenses that do not meet the criteria of other reported expenses, but individually are not significant in dollar amount.

### **OPERATING INCOME (LOSS)**

Subtract Total Operating Expenses from Total Operating Revenues to determine Operating Income (Loss).

### **NONOPERATING REVENUES (EXPENSES)**

Record nonoperating revenues and expenses by fund type on the appropriate lines and total all nonoperating revenues and expenses to arrive at Total (Net) Nonoperating Revenues (Expenses). The following are descriptions of some nonoperating revenue (expense) categories.

**Interest revenue** (enterprise fund types only)—Revenues received from interest earned on idle cash and investments.

**Gain (Loss) on disposal of capital assets**—A gain or loss on the disposal of a capital asset results when an asset is sold, abandoned, exchanged, or donated. A gain results when the consideration received is greater than the book value of the asset. A loss results when the book value of an asset is greater than the consideration received.

### **INCOME (LOSS) BEFORE OPERATING TRANSFERS**

Add Operating Income (Loss) to Total (Net) Nonoperating Revenues (Expenses) to arrive at Income (Loss) Before Operating Transfers.

### **OPERATING TRANSFERS-IN (OUT)**

Record routine transfers of monies among fund types. Nonroutine, nonrecurring type transfers of equity among fund types should be recorded as an Increase (Decrease) in Contributed Capital.

### **NET INCOME (LOSS)**

For each fund type, add/subtract Operating Transfers-In (Out) to Income (Loss) Before Operating Transfers to arrive at Net Income (Loss).

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**BEGINNING RETAINED EARNINGS/FUND EQUITY**

Enter the first day of the fiscal year and record retained earnings or fund equity, as appropriate, for each fund type as of that date.

**INCREASE (DECREASE) IN CONTRIBUTED CAPITAL**

Record nonrecurring transfers of equity among fund types (e.g., contribution of Enterprise Fund capital by the General Fund; subsequent return of all or part of such contribution to the General Fund).

**ENDING RETAINED EARNINGS/FUND EQUITY**

Enter the last day of the fiscal year. Calculate retained earnings or fund equity, as appropriate, as of that date by adding Net Income (Loss) to Beginning Retained Earnings/Fund Equity, and the amount recorded as an Increase (Decrease) in Contributed Capital.